



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: May 11, 2001 REPORT NO. 01-093

ATTENTION: Honorable Mayor and City Council
Agenda of May 14, 2001

SUBJECT: Capital Improvement Program Workshop

REFERENCE: Manager's Report 01-046

SUMMARY

THIS IS AN INFORMATIONAL ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE CITY COUNCIL.

BACKGROUND

The City of San Diego's Capital Improvement Program (CIP) is implemented through an interrelationship of client departments, service departments, multiple funding sources, consultants and contractors. The purpose of this report is to provide some detail of that structure in order that those most interested in the CIP can gain some further insight into the full process and its implementation procedures. The content of this report and related attachments will address the typical path a project takes from project initiation, resource/fund identification, budget approval, design, and construction. Within the report, a number of issues that the Mayor and City Council have raised as concerns, have been highlighted. It should also be noted that the report focuses on processes in the Engineering and Capital Project Department, which are very similar to those followed at the Water and Metropolitan Wastewater Departments.

DISCUSSION

1. A. CIP PROJECT BUDGET PROCESS

The Capital Improvement Program is funded through a variety of sources thus relieving the General Fund of any funding obligations. In most cases, the funds that are received have conditions and restrictions on how the funds can be spent. Examples being TransNet, which must be expended for transportation related purposes, and Facilities Benefit Assessments or Development Impact Fees which must be spent within the community in which they were collected. A similar situation exists with the Water and Sewer Enterprise Funds. These funds must be utilized on projects relating to the Water

and Metropolitan Wastewater Departments. While there are numerous fund sources involved in funding the various types of projects in the CIP, the following are brief descriptions of the most common (*a glossary of CIP / Funding terms is available as Attachment E*):

TransNet:

Revenue from TransNet is generated by a one-half cent local sales tax county wide. From Fiscal Years 1989 through 2001, the City will have received approximately \$231.5 million in revenues. These funds are to be used on transportation projects and may not be used to replace General Fund dollars which were already being used for street and road projects. If the City reduces its pre-TransNet spending levels, it will lose TransNet funds equal to the reduction of General Funds.

Facilities Benefit Assessment (FBA):

As identified in each planned urbanizing community's Public Facilities Financing Plan, a Facilities Benefit Assessment (FBA) provides 100% of funds for public facilities projects which serve a designated area of benefit. The dollar amount of the assessment lien against each property yet to be developed, is based upon the cost of each public facility being equitably distributed over the designated area of benefit, by type and size of development, in the community planning area. The Proposed FY 2002 CIP Budget for FBAs is \$ 25,541,721.

Developer Impact Fee (DIF):

Within urbanized communities, which are near build-out, Developer Impact Fees (DIF) are collected. This mitigates the impact of new development by requiring new development to pay their share of the cost of facilities and to maintain existing levels of service for that community. The Proposed FY 2002 CIP Budget for DIFs is \$2,541,000.

Cost Reimbursement District (CRD):

A Cost Reimbursement District (Municipal Code 62.0208) provides a mechanism whereby if a developer or other entity provides an improvement, they may be reimbursed by subsequent builders who are benefitting, for costs incurred in providing facilities which are over and above the original developer's fair share of the facility and benefits those other builders.

Community Facilities District (CFD):

Community Facility Districts (CFD) are specific geographic areas upon which a special tax is levied. It is approved by a two-thirds vote of property owners and is used to finance public facilities. These CFD's are also referred to as Mello-Roos, after the state legislators who sponsored the enabling legislation. The CFD's finance the public facilities through the sale of bonds. The bonds are repaid by

increased property taxes which are the result of property improvements and the construction of the public facilities (tax increment financing).

Development Agreements:

A development agreement (Municipal Code 105.0101 - 105.0111) is between the City of San Diego and a developer(s). The agreement provides for significant/extraordinary benefits to the City of San Diego or one or more of its communities or other public agencies which could not reasonably be derived or provided except through the development agreement process. Examples of significant/extraordinary benefits may include but are not limited to the following: cash, open space or wildlife preserve dedication, lot dedication, additional affordable housing units, project financing contribution, or project design and/or construction.

Sewer Funds:

The Sewer Fund is an Enterprise Fund which pays for the construction or reconstruction of all sanitary sewers, sewer works, sewage treatment and disposal works and facilities of the city of San Diego for the collection, transmission, treatment or disposal of sewage. The funds are generated through charges, fees, grants, rates and rentals established or imposed by the City for service by or for the use of the sewer system. In addition to these revenues, the City issues bonds to provide money for the acquisition and construction of sewer mains, interceptor sewers, pumping plants, trunk sewers, outfall sewers, sewer works, and treatment and disposal facilities. Funds are also utilized from the State Revolving Fund.

Water Funds:

The Water Fund is an Enterprise Fund which pays for the property and works of the City for the development, obtaining, conservation, production, storage, treatment, transmission, furnishing and distribution of water for public and private use (whether located in or out of the city of San Diego). The revenues for this fund are generated through charges, fees, rates and rentals established or imposed by the City for service by or for the use of the water system. The Water CIP is funded through the Water Fund and through the issuance of bonds.

The money raised by selling the bonds is allocated directly to infrastructure improvements, upgrades and enhancements.

Note: a more comprehensive list of project funds is included as Attachment F of this report.

II. Approving the Capital Improvement Program

Overview:

Utilizing public input received from community budget forums, the Mayor and City Council set priorities for the City Manager's development of the City's overall budget. Based on these priorities, departments submit operating budget and Capital Improvement Program requests to the City Manager for review. Working with these departments, the City Manager determines the resources available to meet desired service levels and submits a proposed budget to the Mayor and City Council in compliance with the City Charter.

Process:

The City's budget process is an effort to coordinate and manage the development and implementation of a responsible and balanced budget. In order to achieve this, the City Manager's Office oversees a concerted effort which includes City Departments through Budget Request Meetings, "Budget Bowls" (ie. formalized budget discussions between the City Manager's Office and management from the various departments), and Community Forums.

Each year, the demand for projects far exceed the available funding. Therefore, projects must compete for the available funding. The final decision on which projects are proposed for the City's CIP is made by the City Manager. The CIP is an eleven-year program comprising a list of current and future capital projects. Each project is presented in the CIP with a detailed description, funding sources and work schedule.

After public comment is received, careful analyses are made. In May, the City Manager presents the "Proposed Budget," which includes the CIP portion (Volumes 4 and 5) to the Mayor and City Council who then begin budget deliberations and focus on a review of the budget policy issues. A list of projects that do not rank high enough to be considered for funding, are shown in the Unfunded Needs List included in the Proposed Budget.

Early June each year, the Mayor and City Council will receive a "City Manager Change Memo," which describes what changes have occurred since the proposed budget. These changes finalize the City Manager's budget recommendation for the upcoming fiscal year. The City Council will amend the annual budget through a series of scheduled deliberations and public hearings. As the Mayor and City Council discuss different budget scenarios during the hearings, departments will update numbers, provide new information, and respond to questions.

The City Council will hold final public hearings in June prior to approving the final budget. At the concluding hearing, the City Council approves an annual appropriation ordinance adopting the budget. This includes the City's Capital

Improvement Budget. The City of San Diego's Final Budget document is then prepared, distributed and made available to the general public.

II. Project Cost Estimating

Estimate Philosophy:

There are numerous factors that are considered when preparing the initial project estimate. Considering the execution of the entire CIP, *most* projects are completed within the original project estimate. However, some are completed over budget which may cause frustration on the part of Mayor and Council as well as community members. Often staff are asked why they can't always complete a project under budget. The reasons are numerous, mainly because there are many factors that effect a project. A primary reason for this may be found in the philosophy of how an estimate is prepared. If staff was directed to prepare project estimates such that we would never be over budget and having to request additional funds, the project manager would be compelled to be very conservative in the assumptions about all of the components of the project's estimate. This would cause estimates to be significantly higher in the CIP resulting in fewer projects being budgeted with the finite amount of funds that exist. Instead, staff endeavors to prepare an estimate that is reasonably conservative but not excessively, which in some cases means occasionally requesting additional funds for a project.

The following is a list of major components of a CIP project and the description of the strategies used by staff when estimating project costs.

Construction:

Construction cost estimates are developed through the use of current construction market data. Staff utilizes recent bid data from other projects that are similar in scope and size to their own project. Much of this data is readily available from bids received for other City projects. However, some projects contain elements for which there is no cost data available within the city. In order to address that, staff utilizes information from other sources, such as other agencies, contractors, consultants, and developers.

Land Acquisition:

Land Acquisition cost estimates are developed with the support & assistance of the Real Estate Assets Department. Real Estate Assets Department staff utilizes recent market data to determine real estate costs. This data is forwarded to Engineering & Capital Projects staff who incorporate it into project estimates and reports.

Environmental Documents:

To estimate the cost for developing and processing environmental documents, E&CP staff utilize recent environmental documentation cost data from projects that are similar in scope and size. Environmental Documents include Negative Declarations, Mitigated Negative Declarations and Environmental Impact Reports under the California Environmental Quality Act (CEQA), as well as Environmental Assessments, Findings of No Significant Impact (FONSI), Mitigated FONSI, and Environmental Impact Statements under the National Environmental Protection Act (NEPA). Environmental documentation may also be as simple as preparing environmental technical studies on specific issues, such as biology or noise, to obtain environmental exemptions. If recent environmental documentation cost data is not available, staff will utilize information from other sources, including other agencies and professional environmental organizations (e.g., Association of Environmental Professionals).

Design In-house or Consultant:

The majority of the City of San Diego CIP projects are constructed using the traditional three phases of completion. The three phases include, Planning, Design and Construction (Later in this report, additional methodologies will be discussed.). In order to design a project, the City may exercise different options. One option is to utilize external consultants (ie. engineers and/or architects). Another option is to utilize City staff. Several factors such as workload, required expertise, schedule, and cost weigh into the decision to determine who will provide the project design. A cost estimate for a project may differ depending on the option which the City chooses to exercise. These options are discussed in more detail below.

In-house: In-house engineers and project managers provide many benefits to the City in that they are highly trained technical experts who provide the City with efficient and cost effective products. In-house staff have the advantage of having much more familiarity with the City, communities, client departments and their specific needs. Their work has allowed the City to receive numerous awards. Most Engineering & Capital Projects Staff utilize in-house cost data from recent projects of similar size & scope to estimate the design cost of their own projects. Costs for designing a project in-house generally range from 3% to 10% of the construction cost depending on the size and complexity of the project.

Consultant: External consultants provide the City with high quality professional services. Staff utilizes consultant cost data from recent projects of similar size & scope to their own and industry guidelines, provided by organizations such as the American Society of Civil Engineers, when estimating consultant design

costs. Consultant cost for designing an entire project generally range from 5% to 15% of the construction cost depending on the size and complexity of the project and the type of design service being provided. A higher percentage would be anticipated for complicated projects, for projects with low construction costs, and for projects requiring a unique specialized design service.

Project Management:

Project Management utilizes a “systems approach” to the planning scheduling, directing and controlling of organizational resources for the completion of a project within the technical, financial and schedule constraints. The Engineering and Capital Projects’ staff provide the majority of the project management services for the City of San Diego’s CIP. These staff utilize project cost data from recent projects of similar size & scope to estimate the project management cost of their own projects. Costs for project management services generally range from 5% to 10% of the construction cost, depending on the size and complexity of the project.

Contingencies:

Contingencies are typically 5% of the construction cost at the time a project goes out to bid. When a project is initially budgeted and has undergone no design work, contingencies can begin as high as 20%. This may be higher in cases of special projects, expedited projects or highly technical and complex projects. Upon special approval by the Director of Engineering and Capital Projects or the Director of the Department administering the project (if other than E&CP), the project contingencies may be established at a higher percentage. The purpose of contingencies is to provide funding for changes to the project or unknown changed site conditions that may arise during construction or design etc. The specific dollar amount of the contingency is directly in proportion to the amount of anticipated risk undertaken in the project.

III. Funding Considerations

Cash Flow Management:

Cash flow management is a process in which the City makes available money on an as-needed basis to complete a project. By doing so, a significantly less amount of the City’s funds are encumbered allowing for a more efficient use of that money. This process in turn allows for opportunities to complete more projects. Many transportation and street related projects are funded with the use of TransNet and Commercial Paper. The City's first priority is to utilize TransNet cash for projects as much as possible in an attempt to minimize the issuance of commercial paper. (A full description of the status of TransNet funds is provided in the City Manager’s Report Number 01-046) This is accomplished through a cash management system which identifies projects that require immediate

financing and also identifies available cash. Cash is transferred to commercial paper funded projects with immediate financing need. To maintain the balance of appropriations within the CIP budget, an equal amount of commercial paper is then moved to the cash funded project. Similar processes (ie. phase funding and debt financing) are utilized by the Water Department and Metropolitan Wastewater Department in their management of the Water and Sewer Funds.

This cash management process continues throughout the year which reduces the use of debt and maximizes the use of available cash. The Annual Appropriation Ordinance allows for this provided that it does not increase the total appropriations.

Phase Funding:

Phase Funding is a means by which large projects, encompassing multiple tasks and taking place over an extended period of time, may be budgeted, appropriated and contracted in an efficient manner that maximizes the City's use of available funds.

The City Charter requires that prior to entering into a contract, the funds available for that commitment must be certified as available by the City Auditor and Comptroller and encumbered only for that specific commitment. Historically, the City has required that **all** funds required for a contract (or facility or pipeline) be available and **encumbered** prior to the award of that contract.

Phase Funding allows the contract or project to be broken down into clearly defined portions, or phases, to fund on a contingent basis. That is, a single large project, (a facility or pipeline) may be considered as a series of component tasks and contracted for by phase, making each phase contingent on the availability of funds. Each phase must have certain qualities with regard to scope, time and money. The phase must have a clearly identifiable scope, that is, a specifically defined outcome or product. An advantage to this process is that less funds are tied up at any given time.

Phasing has been incorporated into the CIP budget and the Appropriation Ordinance. A statement indicating that phases are included in the budgeted amount for a fiscal year is footnoted in the budget by project. Projects (and their phases are) still budgeted by fiscal year but the phase does not need to, nor will likely, coincide with the fiscal year. The Appropriation Ordinance is structured to separately identify phases of projects that will be authorized and funded during the fiscal year from those that are being committed with the adoption of the ordinance at the beginning of the fiscal year. The Auditor and Controller is authorized, in the ordinance and at the direction of the City Manager, to increase appropriations in the appropriate fund upon the issuance of debt or as other funds become available to fund subsequent phases of projects.

Following the initial Council action, subsequent phases do not have to go back for City Council action. The authority to authorize the initiation of phases (after the first) of a project typically has been delegated by the City Council to the City Manager. Streamlining of the City Manager approval process has been discussed to expedite the funding of subsequent phases of a project, and should minimize additional administrative time. The money anticipated to be saved, just in interest on money not borrowed, is significant, and has proven to be worth the investment of time to phase projects realistically. This process more than compensates for the administrative staff time required.

Project Balances:

Frequently, when projects are completed, there is a balance of funds remaining in the projects. Typically, these funds are returned to the appropriate fund (ie. TransNet, Sewer or Water revenues) or utilized for a project that needs funds. The Annual Appropriation Ordinance allows for these transfers if they are used for the purposes of reducing debt and maximizing the use of cash, and reimbursing eligible expenses in excess of approved appropriations. In recent City Council Meetings, there has been concern that the Mayor and Council are not included in this process.

ISSUE #1:

HOW SHOULD THE MAYOR AND COUNCIL BE INCLUDED IN DETERMINING HOW THE REMAINING PROJECT BALANCES ARE UTILIZED?

Options When Additional Funds Are Needed:

For those projects that require additional funds prior to completion, the Project Managers may investigate one or more options. The following is a list of potential options a Project Manager may explore.

- ▶ Ascertain if project savings from other projects available (from cash management system).
- ▶ Check with the Auditor's Office to determine if there is Unappropriated Fund Balance or Unallocated Reserves.
- ▶ Determine if other funding sources can be used for qualified expenses.
- ▶ Locate another project within same Council District to ascertain priority and potential use of funds (Council action required).
- ▶ Issue debt (Council action required).
- ▶ Cancel or defer project (if in early stages of project design, Council action required).

Americans with Disability Act:

An issue that permeates throughout the CIP is the City's efforts to accommodate the disabled community and complying with the Americans with Disability Act (ADA). There are several projects in the CIP that are directly focused on

removing barriers. These projects include construction of pedestrian ramps on street corners, park facility and field modifications, retrofitting City-owned buildings to make them accessible and providing significant modifications to Qualcomm Stadium. The total for these efforts in the 2002 CIP is estimated at \$8,950,000. Additionally, all new projects built in the CIP are constructed so they are accessible.

1. B. CITY STAFF COSTS ON CAPITAL IMPROVEMENT PROGRAM PROJECTS

CIP budgets are appropriated in major cost components in which projects bill against. The staff costs which are billed to a project are necessary to complete the project. The costs for these services are in addition to the property acquisition, design consultant (if utilized) and the construction contract and are part of the true total project costs. **Note: a more detailed description may be found in Attachment A.**

I. General Fund Recovery by E&CP

Allocations for staff costs from the General Fund are recovered by charging against the fund source budgeted for a project. Each charge recovers two elements, the direct salary costs and the affiliated indirect costs. The establishment of the General Fund budget incorporates a philosophy that identifies reimbursement from CIP projects in order to provide revenues to balance the budget.

ISSUE #2:

SHOULD STAFF CHARGES BE CHARGED AGAINST; A) PROJECTS FUNDED BY THE CIP FUND SOURCE, B) CDBG PROJECTS, OR C) PROJECTS THAT ARE FUNDED BY DONORS (ALL OR IN PART)?

Fiscal Impact

- A) The amount of revenue to the General Fund which is generated by CIP Project Fund Sources is \$18,270,000.**
- B) The amount of revenue to the General Fund which is generated by CDBG Project Funds is \$930,000.**
- C) Costs associated with staff charges on four projects in which donors are contributing some of the funding is approximately \$900,000. This is over multiple fiscal years.**

2. A. PROJECT DELIVERY FORMS

The City uses different delivery systems for construction of Capital Improvement Program projects. Each system has advantages and disadvantages that are considered before a system is selected for a specific project. The “Design-Bid-Build” method is the primary system used for all City projects. The plans are designed by an independent professional or in-house staff and construction is awarded to the lowest responsible bidder. While this system is used for both large and small projects, there are situations when a General Requirements Contracting method or the Design-Build method will be more advantageous. Comparisons of these methods are best described by identifying the how they differ from the “Design-Bid-Build” system.

I. Design-Bid-Build

With this method, a project is developed sequentially: feasibility studies, environmental review, design alternatives, preliminary design, design of construction documents, bidding and construction. The processes have very little overlap, and the City Council, staff and the community maintain more flexibility for changing elements of the project. However, there comes a point in the design phase where community input is ceased and the project design is completed. The design is accomplished by in-house staff or a consultant with no ties to the contractor. The City then manages the construction contract to ensure that the project is built in accordance with the plans and specifications. The project schedule can be broken into three distinct phases: Consultant Selection, Design, and Construction.

Design Consultants(if not in-house staff):

The City of San Diego requires outside design services for CIP projects and other projects that are cannot be designed in-house. The hiring of registered professionals and consultants is regulated by the City Charter 94, the Municipal Code Section 33.0226, and the Administrative regulations 25.60 and 25.70, and covered in Council Policy 300-07. Professional licensed architects and engineers are regulated by Administrative Regulation 25.60 and all other consultants are regulated by Administrative Regulation 25.70.

Design:

The first step in the design phase is the preparation of drawings which define the alignment or concept for the project. The review and approval process provides many opportunities for community input, and development of environmental documents. The first review is performed by staff who check for compliance with City standards and is followed by a series of reviews by various, often numerous, community groups. The community group’s recommendations are addressed in the schematic plan and forwarded with the environmental document to the various recognized community organizations for recommendations. Reviewing bodies include Planning Groups, the Park and Recreation Board, the Library

Commission, and the Planning Commission. This is typically the last step in the concept approval process.

In-house staff or the consultant is then directed to prepare the plans and specifications for construction of the project in accordance with the selected criteria. They are checked by all appropriate City departments and are returned to the consultant in order that corrections can be made. Permits are obtained if required. If the Construction contract exceeds \$1,000,000, City Council action is requested to approve the plans and specifications, and to authorize the award of the construction contract to the lowest responsible bidder. The process is similar for contracts under \$1,000,000, however, the City Manager has the authority to award (Municipal Code 22.3102).

Bid:

The construction phase begins with the E&CP advertising for construction bids. Bids are received and opened approximately 3 to 5 weeks after advertisement. The project manager prepares a Request for Manager Action or a Request for City Council Action when the lowest responsible bidder has been identified and meets the requirements of the Subcontracting Outreach Program, bonding, insurance and other requirements.

Construction:

Field Engineering Division of E&CP is then provided a Notice to Proceed. A resident engineer is assigned and will be responsible for managing the contract and the day-to-day contact with the contractor. In some cases, a consultant construction manager fill this role. The project manager and the design consultant function in an oversight and advisory capacity during construction. After construction is complete the resident engineer provides the project manager with a copy of the plans marked to show all as-built conditions. The original drawings are then modified to reflect the as-built changes, microfilmed and filed in the City Maps and Records section. The project manager then initiates the process to finalize the accounting and turn the records over to the operating division.

II. Design Build

The Design-Build method is generally used for projects with clearly defined design requirements, and budgets in excess of \$5,000,000. These contracts are allowed by Charter Section 94.2. Specific guidelines for the award, use, and evaluation of design-build contractors is governed by Municipal Code Sections 22.3301 - 22.3309.

The Design -Build method is significantly different from the Design-Bid-Build method. Typically the City will select a consultant, in accordance with the previously mentioned process, to prepare “bridging documents.” This consultant will also advise the City throughout the design-build contractor selection process,

the design and construction of the project. The “bridging documents” are generally developed to a schematic design level sufficient enough to facilitate the community review and environmental processes. Upon approval, these concepts are used along with performance specifications and a pre-qualification process to select the design-build contractor. Upon City Council approval of the design-build contract, the design, permitting, and construction responsibilities are shifted to the design/build contractor (**Note: Upon completion of the bridging documents, the City cannot make any more changes without incurring change order costs to the project**). This process typically offers less flexibility to the Mayor and Council, City staff and community groups. From this point on the City’s project manager, resident engineer, and the consultant monitor the contractor’s progress and ensure conformance to the performance specifications and contract requirements.

Today the Design-Build method is used by the Federal Government, most States, and local governments like the City of San Diego through specific legislation similar to Charter Section 94.2.

The Design-Build method has been shown in some cases to lower project costs. This is partially a reflection of the shorter schedule needed for design and construction. Combining the designer and contractor on the same team allows for better coordination and communication between these two parties. This unique relationship gives them the opportunity to more thoroughly evaluate processes, materials, methods, and permits the early establishment of financing,

III. General Requirements Contracting

The General Requirements Contracting System has been designed to accomplish small to medium, multi-traded, maintenance, repair and minor new construction projects. General Requirements Contracts, are governed by the City of San Diego’s Administrative Regulations, (A.R.25.65). General Requirements Contracts have a fixed term, typically two years, with a guaranteed value, up to \$10 million. Under the General Requirements Contracts System, projects are accomplished by individual Task Orders. The General Requirements Contracting System is based on a set unit price books. These unit price books reflect the current value of minor construction and repair projects in Southern California.

Consultant Selection and Design are similar to the process outlined in the Design-Bid-Build above. The most significant difference is that plans need not be as fully developed for a General Requirements Contracts because the contractor will provide “shop drawings” detailing many of the specifics of the project.

General Requirements Contracts are awarded to the lowest responsible contractor by bidding a “modifier” to the unit price book. The modifier is expressed as a decimal value and is applied to all the unit prices in the book for the duration of the contract. The contractor with the lowest modifier is typically awarded the contract.

This program was originally developed for NATO in 1981 in Belgium. It was introduced in the United States in 1985 and is used by the DOD, DOT, USPS, NASA, GSA, HUD and other Federal agencies. There are over 1,000 General Requirements Contracts in use today by Federal, State and Local Governments worth approximately \$2 billion. General Requirements Contracts are currently being utilized and/or developed several major cities, counties, schools, & universities.

General Requirements Contracts promote a non-adversarial relationship between the City and the contractor and is ideal for maintaining and enhancing facilities & infrastructure. A major advantage of a General Requirements Contract is cost savings generated by the reduction in staff charges, quantity pricing for materials, the contractors overhead, and a reduction in design costs due to the shifting of some design elements from the construction drawings to shop drawings. The award process of a specific task order is typically shortened by six to ten weeks from the typical Design-Bid-Build method.

IV. As-Needed Contracts (Architects, Engineers and related fields)

In the past, the City has incorporated the use of as-needed contracts on a limited basis. In these cases staff has determined, usually through cost/benefit studies, that the City would realize substantial cost or time savings. As-needed contracts are awarded with a limit on the maximum amount of compensation for services. These limits are usually established in anticipation that unforeseen circumstance may arise that would require services from the consultant. Therefore, it is not uncommon for the City not to expend the entire limit of the contract. Some of the factors which weigh into the decision to use as-needed contracts are:

Multiple Small Projects/Tasks:

The City departments which perform engineering related services, have a multitude of projects. Although many of these projects are considered quite large, the majority of projects are smaller in nature. Administratively, the City has determined that in some cases it is more cost effective to group these projects and advertise, interview and award once rather than for every project/task.

Challenging Scheduling:

Although most projects are scheduled and staff is able to anticipate and plan for hiring a consultant, it is not uncommon for a staff to receive an urgent project/task from elected officials or City Management. Because the amount of time required to develop a scope, advertise, schedule interviews, evaluate and award a contract, is somewhat constraining, use of an as-needed contract proves very beneficial in these cases.

Limited Funds:

Many of the smaller projects do not have significant funds budgeted to cover the costs associated with advertising, interviewing and awarding a contract. Because of these limitations, the small amounts allocated (if any) for these projects are

pooled together and used to make one award instead of several. This process in turn, leaves the majority of the allocation for the design and implementation of the project and reduces the administrative and overhead costs.

Peak Workload:

As with any organization, the City's engineering staff experiences peaks and ebbs in workload. During some of these peaks it is not cost effective to hire more permanent staff who later during a reduction in workload would have to be laid off. Therefore, as-needed contracts are used to help supplement City staff on a temporary basis. This process also reduces a significant amount of overhead charges from other City departments which are required in hiring new full time employees.

Specialty Areas:

Although the City's workforce reflects vast differences in experience and expertise, it is improbable that our workforce would be able to employ all the levels of expertise required for our projects. Some of these specialty areas require engineers with salaries that the City is unable to provide. As-needed contracts have been used in the past to provide specialized technical expertise on project tasks. In some instances, a small portion of the entire design may require specialized technical expertise and not be required for the majority of the design. It is in these situations that an as-needed contract provides the most effective route for the City.

3. A. CONSULTANTS SELECTION METHODS

The City of San Diego enters into agreements with Consultants for Architecture and Engineering related projects when the City either lacks the necessary time or expertise to use in-house design. The Consultant Services Coordinator oversees the process for the majority of consultant selections which occur in the City. The Consultant Services Coordinator also provides this service to the County of San Diego. The City of San Diego is then reimbursed for these services.

I. Consultant Nominating Committee

The Consultant Nominating Committee has the task of rating consultant firms in those disciplines that require a shortlist. The Committee is made up of volunteers from various local organizations including the American Institute of Architecture, American Public Works Association, American Society of Landscape Architects, Asian Business Association, Association of Environmental Professionals, Consulting Engineers & Land Surveyors of California (CELSOC), Greater San Diego Chamber of Commerce, San Diego Black Chamber of Commerce, Hispanic Chamber of Commerce, Society of Hispanic Professional Engineers, Society of Marketing Professionals and Structural Engineers Association of San Diego. The Consultant Nominating Committee selects five to eight finalist and forwards the names to the project Manager so they may be invited to participate in an interview process. (*See attachment B.*)

II. Consultant Selection Process

The Department Selection Panel is normally comprised of the Project Manager (PM) and two to four other members. The other members may be other engineers (assistant, associate or senior engineers) from the same division, other employees (Assistant Deputy Directors, Deputy Directors, etc.) from the same division, representatives (engineers or others) from other divisions or departments, Equal Opportunity Contracting Program Contract Compliance Officers, representatives from other government agencies or community members. *(Additional Equal Opportunity Contracting Program consultant considerations are described in Attachment C.)*

The Selection Panel interviews firms from a list provided by the Consultant Services Coordinator. These firms may come from either the As-Needed Lists or from the Consultant Nominating Committee. The As-Needed Lists are established at the beginning of each calendar year and are categorized by discipline. The City of San Diego is committed to equal opportunity in its solicitation of professional services consultants. Therefore, all projects with anticipated consultant agreements totaling \$100,000 or more, are required to include a representative from the City's Equal Opportunity Contracting Program.

The following is the list of categories in which short lists were developed for FY 2001:

- | | |
|---|--|
| 1. Airport Engineering Services | 10. Geotechnical |
| 2. Architecture | 11. Landscape Architecture |
| 3. Construction Administrative Services | 12. Mechanical Engineering |
| a. Contract Administration | 13. Planning Services |
| b. Inspection | 14. Project Management - Staff Extension |
| c. Plan Checking | 15. Structural Engineering: |
| 4. Electrical Engineering | a. Buildings and Other Structures |
| 5. Environmental: Biological | b. Bridges |
| 6. Environmental: Cultural Resources | 16. Surveying |
| 7. Environmental: General EIR/EIS | 17. Traffic Engineering |
| 8. Environmental: Hazardous Materials | 18. Water/ Wastewater Facilities |
| 9. General Civil Engineering | 19. Water/ Wastewater Pump Stations |

In order to increase the pool of qualified consultants and allow smaller firms to effectively compete, two lists for each of the above disciplines are created. The small project list is for projects with consultant fees of \$100,000 or less. The large project list is for projects with consultant fees between \$100,001 and \$250,000.

In cases where the potential consultant award is greater than \$250,000 or where there is no applicable As-Needed discipline or at the discretion of the Department, the PM requests that the CSC advertise for consultants. An advertisement is placed by the CSC in the official City of San Diego newspaper as well the City of

San Diego web site and other local newspapers. Firms respond to the advertisement with Statements of Qualification (SOQs) and other required information as noted in the advertisement. The SOQs are sent to the Consultant Nominating Committee. The CNC members individually rate the firms by set criteria and forward their ratings to the CSC. The CSC compiles the ratings which are discussed and finalized by the CNC at a meeting held at 1010 2nd Avenue, Suite 500, San Diego, CA 92101. *(The criteria for rating consultants is included in this report as Attachment G.)*

At the discretion of the CSC and the project manager, if the number of consultant firms that respond to an advertisement for a project with an SOQ is nine or fewer, the CSC may forward all SOQs directly to the PM without sending them to the Consultant Nominating Committee. In these cases, the Consultant Selection Panel will interview all firms.

Subconsultants:

Within each SOQ, the consultant submits the names of those ***subconsultants*** the consultant will use for that project. The consultant will indicate the scope of work, percentage of contract and certification status of each subconsultant.

Subconsultants must be named if they receive more than \$10,000 or more than one-half of one percent (.5%), whichever is less. The consultant shall also submit commitment letters or authorizing signatures from all proposed subconsultants to acknowledge their commitment to the team, scope of work and percent of participation in the project. Projects of \$25,000 or more have a voluntary subconsultant participation level of 15%. If the 15% subconsultant participation level goal is not achieved, the consultant is required to complete an *Outreach and Teaming Survey*. The Outreach and Teaming Survey is due to Equal Opportunity Contracting Program five (5) working days from date of notification of selection and must be received prior to award of contract. Survey information will be used by Equal Opportunity Contracting Program staff to assist consultants with achieving subconsultant participation level goals on future City contracts.

B. CONSTRUCTION BIDDING PROCESS

I. Subcontracting Participation

The Subcontracting Outreach Program (SCOP) applies on all City-funded construction projects valued over \$100,000. The goals of SCOP are to maximize subcontracting opportunities for all qualified and available firms and to provide equal opportunity for all subcontractors to participate in performance of City contracts.

SCOP requires mandatory use of subcontractors at a percentage level determined by a City engineer on a project-by project basis; and mandatory broad-based

outreach in solicitation of sub-bids by the prime contractor; and mandatory submission of outreach documentation within five working days from the date of bid opening. Outreach efforts are assessed through an Indicator Point system and must total 80 (out of possible 100) for bid to be considered responsive.

II. Pre-qualification of Contractors

City of San Diego Charter Section 94 currently requires the City to award public works contracts to the “lowest responsible and reliable bidder.” Currently, a construction firm is considered “responsible” if the firm holds an active contractor’s license, demonstrates a sufficient level of bonding and has the required insurance. Experience has shown that such minimal requirements may not be adequate to ensure that a firm is economically and structurally fit

On October 10, 1999, the State Assembly passed a bill granting public agencies the authority to pre-qualify public works contractors. Under this bill, the term “responsible bidder” is defined as “a bidder who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity, and experience to satisfactorily perform the public works contract.” The bill further offers a model pre-qualification program, which was designed by the Department of Industrial Relations.

On November 15, 2000, the Land Use & Housing Committee (LU&H) directed staff to develop a pilot program for the pre-qualification of public works contractors. The decision came in response to growing concern over the reliability and responsibility of some contractors during this construction boom.

The Engineering and Capital Projects Department will be proposing a program in early FY 2002. Only pre-qualified contractors will be solicited to bid on projects. The City will reserve the right to re-evaluate a firm during that year for cause such as in cases of default, findings of discriminatory business practices, findings of criminal activity, or significant changes in the firm’s principal or partner composition.

III. Award Process:

At time of bid opening, bidders must submit a sealed bid to a location noted in bid documents prior to a stated bid opening time. The announcement is made by the Contract Administrator of mandatory subcontractor participation goals if the project is subject to SCOP requirements or if the project is federally funded. Bids are then publicly opened and read. Bids are reviewed to ensure proper bid bonds, signatures and notarizations are included. The State Contractor's License Board is then contacted for license status. Bid prices are checked for accuracy and discrepancies (if/any) are addressed.

Upon notification of compliance by EOCP, project manager is notified of bid results and requested to approve the notification of apparent low bidder within 5 working days. Notification is mailed to the low bidder stating amount of bid and instructions to proceed with bond and insurance requests. At this time, special instructions to bidder-would include information concerning pre-award schedule and phase funding.

Contracts are prepared and mailed to contractor with cover letter providing insurance and payment/performance bond requirements, allowing a 5 working-day deadline for submittal of contract documents. Upon return of contracts, documents are examined for signatures, notarizations, acceptability of insurance and bonds, City of San Diego Business Tax Certificate and completeness of contract documents. Contracts are then forwarded to the City Attorney for review and signature. If project was Council approved, contracts are submitted to the City Clerk for certification. Once Purchase Order is received from Purchasing Dept., the Authorization to Issue the Notice to Proceed is prepared and provided to the project manager and Field Division along with a completed copy of the contract. A copy of the contract is provided to the contractor with a copy of the purchase order. *(a list of additional EOCP contractor considerations is included as Attachment D.)*

4. A. CONSTRUCTION CONTRACTS

I. Unit Prices versus Lump Sum

There are several reasons for using a lump sum bidding proposal. First, most of the projects the City constructs use a wide variety of materials, products and installation procedures. Developing a unit price list would require a vast amount of line items, complicate the bidding process, and require the designer to restrict the options available to the contractor. The inspection time would also be significantly increased with a unit cost type of bid. In addition, mechanical, plumbing, electrical, and some specialty areas of the plan elements are schematic in nature. These types of plans identify a proposed construction plan, but allow the contractor to identify the most timely, cost effective way to build these elements of the project. A unit pricing process in these complicated projects would lead to more errors in the bidding documents, arguments with the contractor, and a higher number of change orders. The lump sum bidding process

gives the contractor more flexibility, allows the construction to proceed with less conflicts, and saves time and money.

II. Change Order Information

When the City awards a contract to the responsible low bidder a contract (agreement) is entered in to by both parties. As the project progresses, the following may occur which requires an amendment to the original contract:

1. Unforeseen conditions become apparent (eg. contaminated soil, or archeological findings).
2. “Estimated quantities” determined at bid time need to be adjusted either as a credit or debit due to “actual quantities” encountered, for example, 110 cubic yards of clay materials are actually removed, as opposed to the “estimated” 100 cubic yards.
3. Additions and deletions to a contract as requested by others to enhance or improve the project, for example, a dedication plaque may be requested by the community that was not originally in the scope of the project
4. Errors and/or omissions in the design that need to be addressed during construction in order to complete the project intent, for example, plans and specifications not being perfect, could “miss” a back-flow prevention device not being caged to prevent vandalism.

There are two mechanisms by which amendments to the contract between the City and the contractor are made; the first being a “Construction Change Order (CCO),” and the second being a “Construction Field Order (CFO).”

Authorization of extra work is done at the site, as it is encountered by the Field Engineering Division resident engineers (inspectors), in order to limit down time and stoppage of work. Down time and stoppages of work pending approval in the office would cause crews and equipment to be on standby. The associated impacts for stoppages and standby time pending an approval are cost prohibitive and delay schedules.

There is a marked difference between CCOs and CFOs. CCOs are for larger and complex changes to the contract that require Deputy Director approval. CFOs are for small adjustments in the work where the decision making is left to the on site resident engineer. Both expenditures are monitored by the Auditors for payment.

All projects have scope and/or site conditions noted above that warrant amendments to the agreement; and hence, change orders and field orders associated with them. In order to deal with these issues efficiently, projects typically have a contingency fund by which to use. The funds typically allocated for contract amendments per project is usually up to 5% of the construction cost. Expenditures of these funds in the Engineering and Capital Projects Department, is about 3%. The Engineering and Capital Projects Department conducted a recent survey of some southern California agencies and found to be 3% to 15%.

“Time,” as in added days, must also be authorized via a change order, as it also is an amendment to the contract.

Municipal Code Section 22.3036 has been instituted to authorize the City Manager up to \$200,000 for change order work provided that the funding is available and has been previously approved by the City Council. Should a change order exceed \$200,000 in value or project funding exceed what is authorized, **City Council will be asked for approval, although, in most cases the change order work has already been initiated so as to avoid costs related to project delays and down-time.**

Respectfully submitted,

Frank Belock, Jr.
Director
Engineering & Capital Projects

Approved: George Loveland
Senior Deputy City Manager

Note: Attachments B and G are not available in electronic format. A copy of the attachments is available for review in the Office of the City Clerk.

Attachments:

Attachment A - Detailed Cost Components of Capital Improvement Program Projects

Attachment B - Memorandum re: Consultant Selection Panels

Attachment C - Equal Opportunity Contracting Program (EOCP) Consultant Considerations

Attachment D - Equal Opportunity Contracting Program Construction Contractor Considerations

Attachment E - CIP Terminology Glossary

Attachment F - List of Capital Improvement Funding Sources

Attachment G - City/County Consultant Nominating Committee As-Needed List-Scoring Criteria

Attachment A.

Detailed Cost Components of Capital Improvement Program Projects

Elements of CIP project costs, City departments providing services to the projects, and the relationship between General Fund Revenues deriving from CIP reimbursements are examined in the following sections. These Sections deal only with General Fund administered projects.

I. CIP Budget Categories

CIP budgets are appropriated in major cost components that services provided to a project are eventually bill against. These professional services are necessary to complete the project. The costs for these services in addition to the construction contract, determine the true total project costs. These services can include consultants, contractors, sub-contractors, vendors, advertising and public relations specialists, and City agencies. Following are the major cost centers for most projects:

Preliminary Engineering	Construction
Project Administration	Construction Management
Land/Row Acquisition	Materials Testing
Environmental Services	Furnishings & Equipment
Design	Project Close-Out
Permits and Fees	

Note: All of the following pertains to CIP projects in the general fund and does not apply to projects in the Water and Sewer Funds.

II. CIP Staff time: Engineering & Capital Projects Department

Contract Services, Administration, Transportation & Drainage Design, Field Engineering, and Public Buildings & Parks Divisions of E&CP are funded through the General Fund. Each year appropriations from the General Fund are established for the budgetary needs of the department. (Water/Wastewater Facilities and Water/Wastewater Construction Divisions are funded by Water and Metropolitan Wastewater fees and are not part of this costing model.)

Engineering & Capital Projects Department offers a full array of services to CIP.

Division	Services Provided
Transportation & Drainage Design	Project management and Design Services
Public Buildings & Parks	Project management and Design Services
Field Engineering	Construction Inspection, Materials Testing and Survey
Contract Services	Equal Opportunity Contracting Services, Consultant Selection & Contract Processing and Award

III. General Fund Recovery

Allocations from the General Fund are recovered by revenue generated when Engineers or other professional staff charge the CIP for their services. Each direct hour charged recovers two elements, the direct salary costs and the affiliated indirect costs. It is anticipated that in FY 2002 the General Fund will recover approximately 75% of the total department budget through charges by E&CP to CIP. The department will recover an additional 10% from other funds.

Direct costs include staff hours (used as a basis for recovering affiliated indirect costs), and construction materials, fixtures & furnishings directly used in completing the project. Indirect costs include Auditors, administrative support time and non-personnel costs (supplies, rent, utilities, and data processing charges) needed to support the project effort. These indirect costs are recovered by the method of charging overhead. This method of charging direct and indirect costs to the CIP is an industry standard. Industry design overhead rates range from 95% to 110%. E&CP design overhead rates average 96.3%.

IV. Unrecovered Services

Engineering & Capital Projects' staff also provide services to unfunded CIP projects. These costs are not recovered and become a General Fund expense. Projects with unrecoverable costs also reduce the amount of revenue budgeted by the City as engineers divert time (and revenue to the General Fund) from funded projects to work on unfunded projects. In FY2001, approximately 55 projects for a total loss of revenue of \$300,000 are projected. In FY2000, the City experienced \$459,000 in lost revenue.

V. CIP Staff time: Other City Departments

Direct Costs to CIP:

Several other City departments provide necessary services to CIP Projects. These departments are given the authority to charge a project directly for their services (ie. timecard charges). In FY2001, it is estimated that approximately \$2,873,754 will be reimbursed to the General Fund by other City Department charges. Following are the departments that are directly charging to projects managed by Engineering & Capital projects:

Department	Service	Charges
Transportation:	traffic planning and assessment	\$ 2,039,865
Real Estate Assets:	land acquisition, relocation and condemnation	\$ 166,000
Development Services:	environmental review, code compliance and plan check	\$ 166,400
Attorneys:	contractual review & legal services	\$ 401,489
Park & Recreation:	project planning & development	\$ 100,000
Total		\$2,873,754

The services provided by the above departments are relatively fixed in regard to size of project. For instance, a small project one-half the size of a larger project would not necessarily be charged one-half other city services costs of the larger project.

Indirect Costs to CIP:

In addition to the recovery of direct charges, the following City departments recover budgeted appropriations by indirect charges included in Engineering & Capital Projects' overhead rates:

Intergov/ Relations Dept	\$13,487
City Clerk	\$31,921
City Manager	\$7,671
City Attorney	\$219,546
City Auditor/Comptroller	\$91,722
City Treasurer	\$64,105
Financial Mgmt. Dept.	\$53,312
Purchasing Department	\$123,644
Personnel Department	\$79,021
Citizens Assistance	\$8,070
Citywide Department/Rollforward	\$1,512,956
General City Indirect	(1) \$2,205,455

Therefore, if the City were not to recover their direct and indirect charges to CIP projects, additional General Funds of approximately **\$18,271,650** would be required in order to balance the City's budget.

VI. CIP Reimbursements-Staff Coordination with Public Advisory Committees and Community Service Group Services

Several Advisory Boards serve as planning functionaries to the Engineering & Capital Projects Department. Council Policy states that "recreation councils shall promote the recreation program in the community through planning, administering, publicizing, coordination, and interpretation." Municipal Code further defines the role as stating that the Board "may adopt such rules, regulations and organizational structure for the conduct of its business as it may deem necessary." E&CP staff coordinate with these advisory boards. The costs of this coordination are passed on to the individual Park & Recreation CIP projects. In an analysis of 53 Public Buildings & Parks projects established that consultants cost associated with committee review process increased design costs by 8% or **\$458,600**. Staff time for the review process increased costs 6% or **\$802,600**.

Increased community input to projects is estimated to increase costs to the Transportation & Drainage Design Division by 10% for both consultant services and internal staff review. In addition, with the enactment of the Federal Americans with Disabilities Act and renewed public focus on access for persons

with disabilities, a new City of San Diego advisory board was created to assist in meeting these regulations. Transportation & Drainage Design estimates that on major street projects dealing with retrofits, traffic circles, and streets, 1 in 5 have increased design costs of up to 15% due to staff or consultant time spent on ADA Advisory Council review.

Attachment C.

I. Equal Opportunity Contracting Program (EOCP) Consultant Considerations

Source Documents:

The authority for EOCP activities is delineated in City *Municipal Code* Sections 22.2701 through 22.2709, “Equal Employment Opportunity Outreach Program,” and City *Municipal Code* Sections 22.3501 through 22.3517, “Nondiscrimination in Contracting Ordinance.”

EOCP Consultant Requirements Language:

Every RFP and RFQ issued by the City includes *EOCP Consultant Requirements* language. This language states the City’s commitment to equal opportunity and fairness and sets out specific requirements. These requirements include: adherence to the *Nondiscrimination in Contracting Ordinance*; submission of workforce reports and *Equal Opportunity Plans*; expectations for inclusion of subconsultants representative of the community; listing of subconsultants, vendors and suppliers; and reporting requirements at time of award and during the course of the project.

Pre-Submittal Meetings:

EOCP staff attends each pre-submittal meeting to review contract requirements with potential proposers and to discuss forms required with proposal submission. EOCP re-affirms the City’s commitment to equal opportunity and fairness and offers encouragement and assistance in identifying resources for workforce applicants and subconsultants. EOCP reminds potential proposers that the City has a voluntary goal of 15% inclusion of subconsultant businesses owned by male and female Black Americans, Latinos, Asians, Native Americans, Filipinos, and female Caucasians.

Selection Panels:

At the Assistant City Manager’s direction, an EOCP representative participates on all consultant selection panels with values of \$100,000 or more. During the interview process, the question will be asked: “What has your firm done that demonstrates its commitment to equal opportunity?” Due to legal restraints imposed by Proposition 209 (which made preferences illegal), the value of asking this question is largely symbolic. The City may not weight the response. However, continued inquiry into these practices alerts proposers to the City’s intent to do business only with firms who are fair and do not discriminate.

Requests for Council (1472) and Manager (1544) Action:

EOCP is a signatory during the routing process for *Requests for Council* (1472) and *Manager Action* (1544). The EOCP office receives the packet and verifies inclusion of a *Workforce Report* and a *Subconsultant List*. If not included, these items are requested; new workforce reports are requested if three months have passed since the most recent submission. Workforce data is entered into a spreadsheet to create a *Workforce Analysis*. Subconsultant participation data is

entered into EOCP's database to create bi-annual statistics. On 1472's, staff prepares an evaluation page summarizing EOCP issues for Council.

Equal Employment Opportunity (EEO) Plans:

If a firm's workforce shows under representations when compared to the most recent County Labor Force Availability census data, the firm is required to submit an *Equal Employment Opportunity Plan* outlining pro-active measures to ensure fair hiring practices. Basic requirements of an EEO plan are included in the *EOCP Consultant Requirements* language (Section III, Paragraph B, Items 1 through 18) in each contract.

During the Project:

Through the project manager, EOCP staff receives *Contract Activity Reports* on a monthly or quarterly basis. These reports show amounts paid to subconsultants. Staff reviews reports for consistency with the original *Subconsultants List* submitted at time of award. Staff also verifies payment amounts through correspondence to the subconsultants. All discrepancies are research and reconciled.

Contract Compliance Reviews:

Periodically, EOCP undertakes Contract Compliance Reviews of the hiring practices of consultants. These reviews consist of studies of firm's documentation of applicant and employee hiring records and on-site interviews with administrative and field staff. Firms are required to meet standards or submit written intention to improve their practices.

Attachment D.

Equal Opportunity Contracting Program Construction Contractor Considerations

Source Documents:

The authority for EOCP activities is delineated in City *Municipal Code* Sections 22.2701 through 22.2709, “Equal Employment Opportunity Outreach Program,” and City *Municipal Code* Sections 22.3501 through 22.3517, “Nondiscrimination in Contracting Ordinance.”

The City’s enforcement procedures on construction projects are set forth in Section 4 of “Standard Federal Employment Construction Contract Specifications” Document No. 769023, Executive Order 11246 and San Diego Ordinance No. 18173. EOCP also enforces applicable sections of *Standard Specifications for Public Works Construction*.

When the City uses Federal or State funds on a project, that project is subject to the specific requirements of the funding source. These requirements may include prevailing wages, affirmative action in hiring and subcontracting, and good faith effort in outreach to potential subcontractors. EOCP reviews and enforces these requirements.

EOCP Construction Requirements Language:

Every contract specification issued by the City includes *EOCP Construction Requirements* language (attached ??). This language states the City’s commitment to equal opportunity and fairness and sets out specific requirements. These requirements include: adherence to the *Nondiscrimination in Contracting Ordinance*; submission of workforce reports and *Equal Opportunity Plans*; expectations for inclusion of subcontractors representative of the community; listing of subcontractors, vendors and suppliers; reporting requirements at time of award and during the course of the project; and submission of final summary reports.

Pre-Bid Meetings:

EOCP staff attends pre-bid meetings to review contract requirements with potential bidders and to discuss forms required with bid submittal. EOCP reaffirms the City’s commitment to equal opportunity and fairness and offers encouragement and assistance in identifying resources for workforce applicants and subcontractors. EOCP reminds potential bidders that the City has a voluntary goal of 20% inclusion of subcontractor businesses owned by male and female Black Americans, Latinos, Asians, Native Americans, Filipinos, and female Caucasians. When the City’s Subcontracting Outreach Program applies, EOCP presents a detailed breakdown of the specific requirements and maintains a pre-bid meeting attendance sheet.

Good Faith Effort Evaluations:

When State or Federal funding sources require affirmative action, EOCP receives and evaluates Good Faith Effort documentation from the apparent low bidder. Each funding source has its own set of required steps for affirmative action outreach. The funding agencies receive copies of the documentation and also receive reports throughout the project.

Requests for Council Action (1472) and Manager Approval (PA700):

EOCP is a signatory during the routing process for *Requests for Council Action* (1472) and *Manager Approval* (PA700). The EOCP office receives these packets and verifies inclusion of a *Workforce Report* and a *Subcontractor List*. If not included, these items are requested. New workforce reports are requested if three months have passed since the most recent submission. Workforce data is entered into a spreadsheet to create a *Workforce Analysis*. Subcontractor participation data is entered into EOCP's database to create bi-annual statistics. On 1472's, staff prepares an evaluation page summarizing EOCP issues for Council.

Equal Employment Opportunity (EEO) Plans:

If a firm's workforce shows under representations when compared to the most recent County Labor Force Availability census data, the firm is required to submit an *Equal Employment Opportunity Plan* outlining pro-active measures to ensure fair hiring practices. Basic requirements of an EEO plan are included in the *EOCP Contractor Requirements* language (Section III, Paragraph C, Items 1 through 18) in each contract.

During the Project:

Through the project manager, EOCP staff receives *Monthly Invoicing Reports* and *Monthly Employment Reports* showing amounts paid to subcontractors and to the prime's employees. Staff reviews reports for consistency with the original *Subcontractors List* submitted at time of award. Staff also verifies payment amounts through correspondence to the subcontractors. All discrepancies are research and reconciled.

On-site interviews with field staff are required by some funding sources. EOCP routinely visits job sites to observe and to conduct interviews concerning equal opportunity and fairness.

Contract Compliance Reviews:

Periodically, EOCP undertakes Contract Compliance Reviews of the hiring practices of subcontractors. These reviews consist of studies of firm's documentation of applicant and employee hiring records and on-site interviews with administrative and field staff. Firms are required to meet standards or submit written intention to improve their practices.

CIP Terminology Glossary

Appropriation

A legal authorization to incur obligations and to make expenditures for specific purposes.

Auditors Certificate

A document used by the Auditor's Office to verify availability of funds, encumber the funds, and certify that sufficient money has been appropriated.

Bond

A funding tool representing a written promise to pay a specific sum in the future, plus interest. Bonds are typically used to finance capital improvements.

Budget

Proposed plan of expenditure and revenue over a given period of time.

Capital Improvement Project

A capital improvement is generally a large construction project such as the development of park land, the construction of an overpass or widening of a street, the construction of a sewer pump plant, the installation of a traffic signal or street light, or the construction or remodeling of a City building. Funds for these projects are derived largely from developer impact fees, a ½-cent local sales tax for transportation improvements, grant funds, water or sewer fees, or from the issuance of bonds or commercial paper.

Commercial Paper

A short-term borrowing tool typically used to raise money needed to cover cash-flow deficits.

Debt Service

Payment of interest and principal on an obligation resulting from the issuance of bonds or commercial paper.

Encumbrance

Designates or reserves funds for a specific purpose (i.e. construction or consultant contract) as approved by the appropriate authority. When the goods and services are received, the encumbrance is released and an expenditure is recorded for the actual costs.

Expenditure

The actual outlay of monies from the City Treasury.

Attachment F.

List of Capital Improvement Funding Sources

TransNet:

Revenue from TransNet is generated by a one-half cent local sales tax county wide. From Fiscal Years 1989 through 2001, the City will have received approximately \$231.5 million in revenues. These funds are to be used on transportation projects and may not be used to replace General Fund dollars which were already being used for street and road projects.

Facilities Benefit Assessment (FBA):

As identified in each planned urbanizing community's Public Facilities Financing Plan, a Facilities Benefit Assessment (FBA) provides 100% of funds for public facilities projects which serve a designated area of benefit. The dollar amount of the assessment lien against each property is based upon the cost of each public facility equitably distributed over the designated area of benefit, by type and size of development, in the community planning area.

Developer Impact Fee (DIF):

Within urbanized communities, which are near build-out, Developer Impact Fees (DIF) are collected. This mitigates the impact of new development by requiring new development to pay their share of the cost of facilities and to maintain existing levels of service for that community.

Cost Reimbursement District (CRD):

A Cost Reimbursement District (Municipal Code 62.0208) provides a mechanism whereby a developer or other entities providing improvements may be reimbursed, by subsequent builders, for costs incurred in providing facilities which are over and above the original developer's fair share of the facility and benefits those other builders.

Community Facilities District (CFD):

Community Facility Districts (CFD) are specific geographic areas upon which a special tax is levied. It is approved by a two thirds vote of property owners and is used to finance public facilities. CFD's are also referred to as Mello-Roos, after the state legislators who sponsored the enabling legislation. CFD's finance the public facilities through the sale of bonds. The bonds are repaid by increased property taxes which are the result of property improvements and the construction of the public facilities (tax increment financing).

Development Agreement:

A development agreement (Municipal Code 105.0101 - 105.0111) is between the City of San Diego and a developer(s). The agreement provides for significant/extraordinary benefits to the City of San Diego or one or more of its communities or other public agencies which could not reasonably be derived or provided except through the development agreement process.

Examples of significant/extraordinary benefits may include but are not limited to the following: cash, open space or wildlife preserve dedication, lot dedication, additional affordable housing units, project financing contribution, or project design and/or construction.

Sewer Funds:

The Sewer Fund is an Enterprise Fund which pays for the construction or re-construction of all sanitary sewers, sewer works, sewage treatment and disposal works and facilities of the city of San Diego for the collection, transmission, treatment or disposal of sewage

Water Funds:

In 1998, the City of San Diego sold \$383 million in water bonds in just one day. The rate on the bonds was 5.09 percent, the lowest rate on a City transaction in decades. The low interest rate and the fact that the bonds sold in one day demonstrated the confidence the business community and investors had in the City of San Diego, the Water Department and its Capital Improvements Program. The money raised by selling the bonds is allocated directly to infrastructure improvements, upgrades and enhancements.

TransNet Bond :

A long-term borrowing tool used when anticipated requirements exceed current revenues

TransNet Commercial Paper :

A short-term borrowing tool typically used to raise money needed to cover cash-flow deficits

Capital Outlay :

City's share of sales tax distribution or land sales, lease and rentals

Community Development Block Grant (CDBG):

Entitlement grant funds from the federal government for the development of viable urban community

Coastal Infrastructure:

A portion of Transient Occupancy Tax (TOT) funds set aside for critical coastal erosion, infrastructure and facility needs involving City owned coastal sites

Grants (Various):

Revenue from the federal government and other agencies

Local Transportation Fund (LTF):

Proposition "A" funds set aside for bikeway projects

Private Donations :

Contributions from private entities